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DOES THE L1 BIDDING SYSTEM NEED A RESET?

The Construction Industry Responds...

> While the L1 bidding system pushes contractors to strike a balance between cost, quality and safety, ultimately, the true differentiator is efficiency --- not compromise.

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Cost Competitiveness and Sustainable Value

The L1 bidding system emphasizes cost competitiveness, but success goes beyond being the lowest bidder; it is about delivering sustainable value. Meticulous resource planning, mechanization, strategic supplier partnerships, and risk mapping are practices that help control costs while safeguarding quality and safety. At the same time, robust QA/QC and HSE frameworks must be non-negotiable, ensuring durability and compliance, despite price pressures. With standardized checks, advanced lab testing, and digital innovations such as BIM, drones, and AI, contractors can minimize rework and wastage, and stay competitive while upholding workmanship and safety.

Investing in training, safety programs, and skill enhancement will make the workforce productive and safety-first. Companies that are guided by strong governance and transparent processes, and which follow a lifecycle-driven approach (so that every asset achieves its intended design life), will build trust by delivering durable, safe, and high-quality infrastructure. For us, the L1 framework is an opportunity to demonstrate that cost competitiveness and uncompromised quality can coexist.

Hidden Costs of Lowest-Bid Procurement

Before Covid-19, when pre-qualification norms were tighter, EPC projects were awarded around 15% above cost and HAM at 22–25% above, allowing for practical execution. Post-Covid, with relaxed PQ conditions, bids have fallen as low as 40–45% below in EPC and 15–20% below in HAM—levels that are unsustainable over the long term.

Prioritizing the lowest bid may appear attractive in the short run, but its hidden costs are significant. Projects awarded solely on price often face compromised quality, safety lapses, and structural deficiencies, resulting in higher lifecycle expenses through frequent maintenance, premature repairs, disputes, and delays. What is saved upfront is frequently outweighed by rectification costs and the economic loss of underperforming infrastructure.

Enhancing DPR Quality for Better Execution

Based on industry experience, the quality of DPRs is uneven across projects. While a well-prepared DPR provides a reliable baseline, many suffer from inadequate site surveys, weak geotechnical investigations, or outdated cost estimates. These gaps increase execution risks, leading to delays, variations, disputes, and cost overruns. DPRs often fail to reflect on-ground realities such as land acquisition hurdles, utility shifting, and regulatory changes, which only surface during execution. Improving DPR reliability is therefore critical for smoother project delivery.

DPRs must evolve from desk-based documents to practical, field-driven roadmaps that capture real site conditions, anticipate risks, and provide realistic baselines for execution. Field investigations, comprehensive soil and hydrology studies, and traffic assessments should reflect true ground realities. Qualified manpower should be deployed for DPR preparation, and cost estimates must align with current market prices and practical contingencies.

Modern technologies such as GIS mapping, drone surveys, LIDAR, and digital modeling can enhance accuracy. Risk mapping, lifecycle costs, and long-term maintenance requirements should be incorporated, while early engagement with stakeholders, including land authorities, utility agencies, and local communities, can pre-empt bottlenecks. DPRs should be treated as living documents, updated periodically to remain relevant throughout the project lifecycle. By adopting these practices, DPRs can become robust execution frameworks, ensuring projects are delivered on time, within cost, and with lasting quality.

Towards a Value-Driven Bidding Framework

The bidding system has been instrumental in driving large-scale infrastructure growth and, with refinements, can become more value-driven. Procurement should evolve toward a “value-for-money” framework, giving durability, lifecycle cost, safety, and operational performance equal weight as bid price. From a contractor’s perspective, this approach balances competitiveness with long-term quality outcomes.

Multi-criteria evaluation models such as Quality-and-Cost Based Selection (QCBS), stricter PQ standards, and performance-linked incentives will ensure accountability. Factoring O&M plans, sustainability practices, and past performance discourages impractical underbidding while rewarding efficiency and innovation. Two-stage bidding for complex projects, and secured, timely payments build greater confidence among contractors, while faster dispute resolution mechanisms further promote efficiency.

The system should incentivize innovation, sustainability, and durability rather than focusing solely on speed of completion. In highway projects, earthwork and subgrade execution must adhere strictly to guidelines, as any lapse can compromise the entire structure. By embedding these measures, India’s bidding framework can foster healthy competition while ensuring infrastructure remains resilient, future-ready, and of the highest quality.